



Bogotá, 30 de agosto de 2013.

Licenciado

**Roberto Brenes P.**

**Gerente General**

Bolsa de Valores de Panamá

Panamá, República de Panamá

E.S.D

Estimado Señor Brenes:

**NEWLAND INTERNATIONAL PROPERTIES CORP.**, emisor registrado ante la Superintendencia del Mercado de Valores de la República de Panamá según consta en la Resolución CNV No.289-07, concurre ante vuestro digno despacho, con el respeto acostumbrado, a fin develar en calidad de “Hecho de Importancia” que la empresa calificadora de riesgo Fitch ha otorgado a nuestra emisión de bonos corporativos reestructura una calificación de “CCsf”

Nuestro equipo está coordinando la traducción del comunicado adjunto al idioma español, el cual le haremos llegar el día lunes.

Del señor Gerente General, nos despedimos,

Atentamente,

**NEWLAND INTERNATIONAL PROPERTIES CORP**

Carlos Alberto Saravia

Apoderado – Representante Legal

Adj.: Lo indicado

## FITCH RATES NEWLAND'S RESTRUCTURED NOTES 'CCSF'

Fitch Ratings-Chicago-30 August 2013: Fitch Ratings has assigned a rating to the restructured senior secured notes issued by Newland International Properties, Corp. (Newland). In April 2013, Newland, a Panamanian company established to develop the Trump Ocean Club (TOC) luxury hotel and condominium, filed for Chapter 11 bankruptcy protection in the United States. One month later, Newland received approval to restructure the defaulted \$220 million senior secured notes due November 2014. Newland's principal assets are the real property and facilities that comprise the TOC.

Newland provided Fitch with updated sales, collections and defaults information together with the prepackaged plan of reorganization and amended documentation. Fitch has assigned a rating and Recovery Estimate (RE) to the restructured notes due July 2017 as indicated:

-- \$257.6 million senior secured notes due July 2017 'CCsf'; RE60%.

The \$257.6 million restructured notes replace the \$220 million defaulted notes and include accrued interest on the defaulted notes. Fitch's rating addresses timely payment of principal and interest on a semiannual basis.

The transaction is mainly backed by (i) a first priority mortgage on the real property owned by Newland; (ii) all cash, installment payments and unit purchase agreements from property sales; (iii) a first priority lien on all Newland accounts and all deposits therein; (iv) the Trump license agreement; (v) Newland's rights to all other revenues from the operation of the project, including: (a) revenues from the operation, sale and/or lease of the Casino, and hotel amenities such as restaurants and spa, and (b) all of Newland's rights to the Beach Club (BC) and Newland's rights to the BC Ferry, BC Ferry Payment and the BC Senior Loan, as applicable; and (vi) 100% of the shares in Newland.

### KEY RATING DRIVERS

The rating of the restructured notes is constrained by the following factors: i) reliance on favorable real estate conditions to meet timely interest and principal payments during the life of the notes, ii) significant liquidity constraints in the near term, iii) additional indebtedness, and iv) limitations related to priority of payments and use of payments.

The transaction is no longer exposed to construction risk. Additionally, the noteholders now have a pledge and assignment of the voting rights of 100% of the shares of Newland. This feature was not provided under the previous Indenture of the defaulted notes.

**Real Estate Market Risk:** Payment on the restructured notes relies on unit price increases, pace of sales and overall collections. Break-even scenarios assume sales of 5-15 units per month with annual unit price increases in the 10%-16% range, and hinge on strong market demand for the units. Demand could be affected by a lack of access to mortgage financing for prospective buyers and global real estate prices for luxury units. During 2011-2012 average prices per square meter for TOC units decreased by 16%-17%, and they remain volatile. This risk is exacerbated by the target market of the project, which is foreign buyers who wish to acquire units in the TOC as a secondary residence.

**Liquidity Risk:** Adequate liquidity for debt service depends on consistent collections and down-payment collections from sales. Sales and collections were greatly affected by the global slowdown and the recent restructuring. Recent sales remain low, but the company is attempting to counter this with a new marketing strategy which focuses on sales and timely collections. Slow sales and collections and low cash reserves expose the new notes to significant liquidity pressure in

the near term.

As of July 3, 2013, the cash balance of the Trust accounts stood at \$0.45 million down from \$16.3 million in June; the money was used to: i) make the first payment due on the restructured notes (\$5.855 million for payment of principal which includes capitalized interest on the defaulted notes and approximately \$0.535 million interest due on the restructured notes); and ii) pay legal fees, legal settlement fees and other expenses. The next debt service payment is due in January 2014 in an amount equal to \$11.4 million in interest and \$11.7 million in principal; therefore, Newland must collect \$22.7 million within the next 5-6 months to meet its next debt service payment on a timely basis.

**Additional Indebtedness:** In addition to the completed hotel and condominiums, the project includes the implementation, completion and operation of a beach club on Isla Viveros (the BC), for which construction is expected to be completed this year, and the acquisition and operation of a ferry connecting TOC with the BC. To date, the BC's development has been financed by the shareholders. The Indenture allows for the development to be financed through a senior loan granted by Newland. Additionally, the Indenture allows for Newland to finance the acquisition or concession of a ferry for transportation between TOC and the BC (BC Ferry Loan) through a special purpose vehicle (SPV) which will be 100% owned by Newland. If such loans are drawn, payments on these loans will be subordinated to payments on the \$257.6 million senior secured notes.

**Waterfall and Priority of Payments:** Short-term liquidity stress could arise if cash on hand is not sufficient to cover timely payment of principal and interest on the notes. This is exacerbated by the transaction's waterfall which allocates flows depending on their origin. Proceeds from the sale of a prime unit such as the casino, spa or penthouse can be used to prepay the notes; however, the prepayment must be made in reverse chronological order and cannot be used to make the next amortization. This exposes the transaction to a possible default on the notes if there are not enough collections from non-prime unit sales during such period.

**No Exposure to Construction Risk:** Construction and finishing work of TOC were completed in January 2013. Premium units will be sold as grey space. The project is composed of 630 residential condo units, 369 'hotel-condo' units, a casino, a pier facility, pool decks, retail shops, gourmet restaurants, a fitness center and spa, along with a 1,592-spot parking garage. The only unfinished work relates to the BC and remains in process.

#### RATING SENSITIVITIES

Newland's ratings could be negatively affected by any combination of the following factors: a lack of consistent price increases, continued slow pace in sales, and lower than expected collections allocated to the noteholders.

A rating upgrade could be considered under a combination of the following factors: Newland's marketing strategy proves to be effective; sales increases result in uninterrupted collections; real estate market conditions are favorable and unit prices rise; and the transaction starts to de-lever quickly.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:  
--'Global Structured Finance Rating Criteria' (May 24, 2013).

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Global Structured Finance Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=708661](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708661)

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